

Department of Finance  <b>STATE OF CALIFORNIA MANUAL OF STATE FUNDS</b>		<b>Fund: 0094 PAGE 1</b> Renumbered From:
<b><u>Legal Title</u></b> Retail Sales Tax Fund		
<b><u>Legal Citation/Authority</u></b> Chapter 1020, Statutes of 1933 Revenue and Taxation Code sections; 6001-7176, 7200-7209, and 7251-7273		
<b><u>Fund Classification</u></b> <b><u>GAAP Basis</u></b> Fiduciary/Agency Funds		<b><u>Fund Classification</u></b> <b><u>Legal Basis</u></b> Governmental/Feeder Funds
<b><u>Purpose</u></b> <p>The Retail Sales Tax Fund was created as a depository for retail sales taxes and related fees, penalties and interest collections.</p> <p>The tax collections for local agencies are collected at the same time and in the same manner as the state tax. All such collections are deposited in the Retail Sales Tax Fund. After deductions for administrative costs and refunds, the local portion of the tax is distributed to the proper local agencies for which the State has collected sales taxes. The state portion of the tax is transferred to the General Fund and the Transportation Planning and Research Account in the State Transportation Fund after refunds to taxpayers for overpayments.</p> <p>Distribution to cities, counties and districts of their share of taxes collected less the administrative costs, which are credited to the board's support appropriation.</p> <p>Distribution to counties for the support of local transit systems. Transfer of the remainder to the General Fund. Transfer to the Transportation Planning and Research Account in the State Transportation Fund, in an amount to be determined by the board (see Section 7102).</p>		
<b><u>Administering Agency/Organization Code</u></b> State Board of Equalization/Org 0860		
<b><u>Major Revenue Source</u></b> <ul style="list-style-type: none"> <li>• Sales taxes</li> <li>• Use taxes</li> <li>• Penalties</li> <li>• Interest</li> </ul>		
<b><u>Disposition of Fund (upon abolishment)</u></b> Pursuant to Government Code section 16346, in the absence of language that identifies a successor fund, any balance remaining in this fund upon abolishment shall be transferred to the General Fund.		
<b><u>Appropriation Authority</u></b> Section 7102 of the Revenue and Taxation Code appropriates the money in the fund for refunds, transfer to the Transportation Planning and Research Account in the State Transportation Fund and transfer to the General Fund.		
<b><u>State Appropriations Limit</u></b> <b>Always Excluded</b> - The major revenue source will be transferred to another fund and will be counted in an included fund, the General Fund (0001), and should not be double counted; as well as, this fund is derived from a Feeder Fund.		

**Comments/Historical Information**

Chapter 1020, Statutes of 1933 enacted the Retail Sales Tax Act and established the Retail Sales Tax Fund.

The Act became effective August 1, 1933 and a companion measure, the Use Tax Act added by Chapter 361, Statutes of 1935, became effective July 1, 1935. Chapter 36, Statutes of 1941 combined both Acts into the California Sales and Use Tax Law of the Revenue and Taxation Code effective July 1, 1943.

The sales tax is a tax on retailers while the use tax is an excise tax on the consumer. Although the two taxes are distinct in their legal incidence, the returns are made on the same form and the rates have always been the same for both.

Chapter 1311, Statutes of 1955 added the Uniform Local Sales and Use Tax Law to the code, which became operative on April 1, 1956. The Act provided that any county or city may adopt a sales and use tax to be imposed in the same manner as the State Sales and Use Tax.

Chapter 24, Statutes of 1969 authorized the San Francisco Bay Area Rapid Transit District to impose a special sales tax not to exceed one-half of one percent to help construct a rapid transit district in the three-county district. Chapter 180, Statutes of 1969 and Chapter 1567, Statutes of 1969 added Santa Clara County and Southern California as districts authorized to impose a special tax for this purpose.

Chapter 1400, Statutes of 1971 made gasoline sales subject to the tax and enacted a 1/4 percent county tax to be used for the support of local transit systems. Small counties are allowed to use these funds for general transportation purposes.

Chapter 1406, Statutes of 1972 amended the codes to provide for an annual estimate to determine if 1/4 percent of all taxable sales raise the equivalent of taxing gasoline at four percent. If more is raised by the state's sales tax on gasoline sales, the excess is transferred from the Retail Sales Tax Fund to the Transportation Planning and Research Account in the State Transportation Fund.

Chapter 1333, Statutes of 1976 repealed Division 7, other taxes – Part 17, special taxes for rapid transit construction; consisting of Sections 37001-37027.

Chapter 117, Statutes of 1991 allows for the increase of 1/4% in the state sales tax and specific conditions necessary for additional sales tax to cease.

Chapter 113, Statutes of 2001, substitutes Public Transportation Account for Transportation Planning and Development Account and provides for a specific dollar transfer for the 2001-02 fiscal year.

Chapter 156, Statutes of 2001 provides the operative date for the 1/4% tax rate increase or decrease in the state sales tax rate based upon the analysis of the Director of Finance.

Chapter 224, Statutes 2003 provides for a specific dollar transfer to the Public Transportation Account for the 2003-04 fiscal year.

Chapter 13X (AB 7X), Statutes of 2003 created the Fiscal Recovery Fund for the addition of  $\frac{1}{4}\%$  percent to the state sales tax rate. Better known as the triple flip, the revenue from this statute is dedicated to the repayment of the deficit funding bonds. This was revenue neutral as it was just a readjustment of current allocations.

Chapter 212, Statutes 2004 provides for a specific dollar transfer to the Public Transportation Account for the 2004-05 fiscal year.

Chapter 76, Statutes 2005 provides for a specific dollar transfer to the Public Transportation Account for the 2005-06 and the 2006-07 fiscal years.

Chapter 173, Statutes 2007 provides for a specific dollar transfer to the Public Transportation Account for the 2007-08 and the 2008-09 fiscal years.

Chapter 756, Statutes 2008 provides for ongoing transfers to the Public Transportation Account.

Chapter 18XXX (AB 3XXX), Statutes of 2009 imposed a 1% increase in the state sales tax rate. There was a clause in this statute that allows for the 1% increase to cease as of July 1, 2011.